

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1172

February 24, 2021

SUMMARY OF BILL: Authorizes Smith County, upon adoption of a resolution by a two-thirds majority vote of its legislative body, to assess a privilege tax on litigation in court cases in an amount not to exceed \$50. Earmarks revenue collected from such tax to be used for the construction and maintenance of a jail and courthouse.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue –

\$40,200/FY21-22 and Subsequent Years/Smith County/Permissive

Assumptions:

- The impact of this legislation is dependent upon the number of civil and criminal cases in Smith County and the dollar amount of the litigation tax adopted.
- Pursuant to Tenn. Code Ann. § 40-24-105(a), the allocation formula for moneys paid into court is: the first moneys paid in any case shall first be credited toward payment of litigation taxes and once litigation taxes have been paid, the next moneys shall be credited toward payment of costs; then additional moneys shall be credited toward payment of the fine.
- Pursuant to Tenn. Code Ann. § 40-24-105(b), failure to pay litigation tax will result in suspension of a person's driver license. Given that litigation taxes are the first to be paid and the relatively low tax proposed, it is assumed that all will pay except those deemed indigent. Twenty percent are assumed to go unpaid due to indigence.
- According to the Administrative Office of the Courts' 2019-2020 *Annual Statistical Report*, there were 1,005 civil and criminal cases filed in the Smith County Circuit, Chancery, and Criminal courts in FY19-20. This number is assumed to remain constant in subsequent years.
- Given the revenue from any such litigation tax will be earmarked for construction or maintenance of a local jail and courthouse if adopted, it is assumed the maximum allowable privilege tax of \$50 would be levied against all applicable cases.
- The permissive increase in local revenue to Smith County is estimated to be \$40,200 [(1,005 cases x \$50 tax) x 80%] in FY21-22 and subsequent years.
- Any permissive increase in local government expenditures to adopt a resolution to assess the privilege tax is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The script is cursive and fluid, with the first name "Bojan" and last name "Savic" clearly distinguishable.

Bojan Savic, Interim Executive Director

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